

Message Text

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17

ACTION ABF-01

INFO OCT-01 EUR-12 ISO-00 FSE-00 OPR-02 A-01 TRSE-00 OMB-01

CIAE-00 DODE-00 INR-07 NSAE-00 PA-02 USIA-15 PRS-01

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R 032132Z SEP 75

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 7413

UNCLAS OTTAWA 3306

E.O. 11652: N/A

TAGS: EFIN, CA

SUBJ: BANK RATE INCREASE

FOLLOWING IS FULL TEXT OF BANK OF CANADA PRESS STATEMENT OF
SEPTEMBER 2:

BEGIN TEXT: THE BANK OF CANADA ANNOUNCED TONIGHT
THAT THE BANK RATE HAS BEEN INCREASED FROM 8 1/4 PERCENT
TO 9 PER CENT EFFECTIVE SEPTEMBER 3, 1975. THE BANK RATE HAS
BEEN 8 1/4 PER CENT SINCE JANUARY 13, 1975.

IN COMMENTING ON THE INCREASE IN BANK RATE THE GOVERNOR
OF THE BANK OF CANADA, MR. GERALD K. BOUEY, STRESSED THE
BANK'S CONTINUING CONCERN ABOUT THE TREND OF COSTS AND PRICES
IN CANADA AND ITS DETERMINATION TO TAKE THE ACTION REQUIRED
TO AVOID EXCESSIVELY RAPID MONETARY EXPANSION.

MR. BOUEY NOTED THAT MONEY MARKET INTEREST RATES IN
CANADA HAD RISEN IN RECENT WEEKS AND HE SAID THAT AN ADJUSTMENT
OF THE BANK RATE WAS NOT NEEDED TO RE-ESTABLISH A MORE STA-
TISFACTORY RELATIONSHIP BETWEEN BANK RATE AND MONEY MARKET RATES.
HE SAID THAT THE UPWARD PRESSURE ON INTEREST RATES IN CANADA
WAS BASICALLY A REFLECTION OF CURRENT AND PROSPECTIVE DEMANDS
FOR CREDIT FROM BOTH PUBLIC AND PRIVATE BORROWERS. SINCE
THE RATE OF MONETARY EXPANSION WAS ALREADY HIGH, THE BANK OF
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CANADA HAD NOT BEEN PREPARED TO ATTEMPT TO RELIEVE THE

UPWARD PRESSURE ON MONEY MARKET RATES THROUGH EVEN MORE RAPID
RATES OF INCREASE IN THE MONEY SUPPLY. HE EMPHASIZED THAT IT
CONTINUES TO BE THE BANK OF CANADA'S POLICY TO PROVIDE FOR SUFFICIENT
MONETARY GROWTH TO SUPPORT THE RENEWED EXPANSION OF ECONOMIC
ACTIVITY IN CANADA, BUT NOT SO MUCH AS TO JEOPARDIZE THE
COUNTRY'S CHANCES OF ACHIEVING A MODERATION OVER TIME OF THE
PRESENT RATE OF INFLATION. THE CONTROL OF INFLATION IS A
PRE-REQUISITE FOR SUSTAINED ECONOMIC GROWTH. END TEXT.
PORTER

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NNN

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